

**Town of Bokchito, Oklahoma**  
**Financial Statements and Report**  
**of Independent Accountants**  
**As of and For the Year Ending**  
**June 30, 2021**

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## **Russell & Williams CPAs, PC**

Casey J. Russell, C.P.A., M.B.A.  
Autumn L. Williams, C.P.A., Esq.  
Eric J. Russell, C.P.A., Esq.  
Member AICPA & OSCP

**2812 NW 57<sup>th</sup> Street, Suite 102  
Oklahoma City, Oklahoma 73112**

Phone: (405) 607-8743  
Fax: (405) 607-8744  
Email: caseycpa@hotmail.com

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Town of Bokchito, Oklahoma

#### **Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bokchito, Oklahoma as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Bokchito, Oklahoma, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note One.

***Basis of Accounting***

We draw attention to Note One of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022 on our consideration of the Town of Bokchito, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Bokchito, Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Russell & Williams CPA PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
September 15, 2022

**Town of Bokchito**  
**Statement of Net Position - Modified Cash Basis - Government Wide**  
**For the Year Ended June 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash in Bank: Unrestricted	206,856.84	102,176.16	309,033.00
Cash in Bank: Restricted		33,678.71	33,678.71
Total current assets	206,856.84	135,854.87	342,711.71
<b>Noncurrent assets:</b>			
Capital Assets	91,455.48	739,972.57	831,428.05
Total noncurrent assets	91,455.48	739,972.57	831,428.05
Total assets	<u>\$ 298,312.32</u>	<u>\$ 875,827.44</u>	<u>\$ 1,174,139.76</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Meter deposits	-	47,246.02	47,246.02
Current Portion of Long-Term Debt	34,531.01	11,140.02	45,671.03
Total current liabilities	34,531.01	58,386.04	92,917.05
<b>Noncurrent Liabilities</b>			
Notes Payable Net of Current Portion	31,359.00	104,625.34	135,984.34
Total Liabilities	65,890.01	163,011.38	228,901.39
<b>Net Assets</b>			
Invested in capital assets, net of related debt	25,565.47	624,207.21	649,772.68
Unrestricted	206,856.84	102,176.16	309,033.00
Restricted		(13,567.31)	(13,567.31)
Total net assets	232,422.31	712,816.06	945,238.37
Total liabilities and net assets	<u>\$ 298,312.32</u>	<u>\$ 875,827.44</u>	<u>\$ 1,174,139.76</u>

The accompanying notes are an integral part of these financial statements.

**Town of Bokchito**  
**Statement of Activities - Modified Cash Basis - Government Wide**  
**For the Year Ending June 30, 2021**

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Total
	Program Revenues	Grants and Contributions	Governmental Activities	Business - Type Activities	
	Charges for Services				
<b>Primary government</b>	Expenses				
Governmental activities					
General government	161,705.94	-	(161,705.94)	-	(161,705.94)
Police Department	275,708.75	319,692.51	43,983.76	-	43,983.76
Fire Department	5,841.68	1,085.00	(4,406.68)	-	(4,406.68)
Street & Alley	178,572.71	-	(178,572.71)	-	(178,572.71)
Total governmental activities	621,829.08	320,777.51	(300,701.57)		(300,701.57)
<b>Business-type activities</b>					
Water Department	70,701.99	234,446.74	-	163,744.75	163,744.75
Sewer Department	29,004.29	109,995.59	-	80,991.30	80,991.30
Sanitation department	50,186.41	-	-	(50,186.41)	(50,186.41)
Other Business-Type Activities	240,092.73	-	-	(240,092.73)	(240,092.73)
Total business-type activities	389,985.42	344,442.33		(45,543.09)	(45,543.09)
Total primary government	\$ 1,011,814.50	\$ 665,219.84	\$ (300,701.57)	\$ (45,543.09)	\$ (346,244.66)
<b>General revenues:</b>					
Sales & Use Taxes			222,618.15	-	222,618.15
Other Taxes			31,642.57	-	31,642.57
Other Income			55,405.60		55,405.60
Total general revenues			309,666.32		309,666.32
Change in net assets			8,964.75	(45,543.09)	(36,578.34)
Net assets - beginning			223,457.56	758,359.15	981,816.71
Net assets - ending			\$ 232,422.31	\$ 712,816.06	\$ 945,238.37

The accompanying note are an integral part of these financial statements.

**Town of Bokchito**  
**Balance Sheet - Modified Cash Basis - Governmental Funds**  
**For the Year Ended June 30, 2021**

	General Fund
<b>Assets</b>	
Cash in bank - unrestricted	206,856.84
Total assets	<u>\$ 206,856.84</u>
<b>Liabilities</b>	
Current Portion of Long-Term Debt	34,531.01
Total liabilities	<u>34,531.01</u>
<b>Fund Balances</b>	
Unassigned	172,325.83
Net assets	<u>172,325.83</u>
 Total liabilities and net assets	 <u>\$ 206,856.84</u>

***Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities as of June 30, 2021***

Total Governmental Fund Balances	172,325.83
Amounts reported for governmental activities in the statement of net position are different because:	
Long-Term Debt is not reported in the fund financial statements	(31,359.00)
Capital assets used in government activities are not financial resources and and therefore are not reported in the fund financial statements. therefore are not reported in the fund financial statements.	91,455.48
Net Assets of Governmental Activities	<u>\$ 232,422.31</u>

The accompanying notes are an integral part of these financial statements.

**Town of Bokchito**  
**Statement of Revenues, Expenditures, and Changes in Net Assets - Modified Cash Basis -**  
**Governmental Funds**  
**For the Year Ending June 30, 2021**

	General Fund
<b>Revenues</b>	
Sales & Use Tax	222,618.15
Franchise Tax	18,699.18
Cigarette Tax	1,927.34
Gas and motor vehicle taxes	1,899.19
Alcoholic beverage taxes	9,116.86
Police Citations	319,692.51
Other revenues	56,840.60
Total revenues	630,793.83
<b>Expenditures</b>	
Debt Service	34,923.41
Payroll Expenses	228,344.49
Maintenance and Operations	340,821.32
Professional Services	14,106.67
Interest	2,826.41
Total expenditures	621,022.30
Net Change in Fund Balance	9,771.53
Beginning Fund Balance	162,554.30
Fund balance at end of year	\$ 172,325.83

***Reconciliation of Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities for the Year  
Ending June 30, 2021***

Net change in Fund Balance - governmental funds	9,771.53
Depreciation expense is recorded in the government wide financial statements but not recorded in the fund financial statements	(35,730.19)
Debt Service is not an expenditure on the government wide statements	34,923.41
Change in Government Wide Net Assets	\$ 8,964.75

The accompanying notes are an integral part of these financial statements.



**Town of Bokchito**  
**Statement of Net Position - Modified**  
**Cash Basis - Proprietary Fund**  
**For the Year Ended June 30, 2021**

**ASSETS**

**Current Assets:**

Cash in Bank - Unrestricted	102,176.16
Cash in Bank - Restricted	33,678.71
Total Current Assets	<u>135,854.87</u>

**Noncurrent assets:**

Net Capital Assets	739,972.57
Total Assets	<u>\$ 875,827.44</u>

**LIABILITIES**

**Current Liabilities:**

Notes Payable - Current Portion	11,140.02
Meter Deposits	47,246.02
Total Current Liabilities	<u>58,386.04</u>

**Non-Current Liabilities:**

Notes Payable - Non-Current Portion	104,625.34
Total Liabilities	<u>163,011.38</u>

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	624,207.21
Restricted	33,678.71
Unrestricted	54,930.14
Total Net Position	<u>712,816.06</u>
Total Liabilities & Net Position	<u>\$ 875,827.44</u>

The accompanying notes are an integral part of these financial statements.

**Town of Bokchito**  
**Statement of Revenues, Expenses, and Changes in Fund Net**  
**Position - Modified Cash Basis - Proprietary Fund**  
**For the Year Ended June 30, 2021**

**Operating Revenues**

Charges for Services:

Sewer	234,446.74
Water	109,995.59
Total Operating Revenues	<u>344,442.33</u>

**Operating Expenses**

Maintenance & Operations	154,635.02
Personal Services	157,880.90
Depreciation	<u>71,377.23</u>
Total Operating Expenses	<u>383,893.15</u>
Operating Income (Loss)	(39,450.82)
Nonoperating Revenues (Expenses)	
Interest Expense	<u>6,092.27</u>
Change in Net Position	<u>(45,543.09)</u>
Net Position - Beginning	<u>758,359.15</u>
Net Position - Ending	<u><u>\$ 712,816.06</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Bokchito**  
**Statement of Cash Flows - Modified Cash Basis - Proprietary Fund**  
**For the Year Ended June 30, 2021**

**Cash Flows From Operating Activities**

Receipts from Customers	344,442.33
Payments to Suppliers	(154,635.02)
Payments to Employees	(157,880.90)
Net Cash Provided (Used) by Operating Activities	<u>31,926.41</u>

**Cash Flows from Capital and Related Financing Activities**

Cash Flows from Other Activities	
Principal Paid on Capital Debt	(11,139.73)
Interest	(6,092.27)
Total Cash Flows from Capital and Related Financing Activities	<u>(17,232.00)</u>

Net Increase (Decrease) in Cash	<u>14,694.41</u>
Beginning Balance	<u>121,160.46</u>
Ending Balance	<u><u>\$ 135,854.87</u></u>

*Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities*

Operating Income (Loss)	(39,450.82)
Depreciation Expense	71,377.23
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 31,926.41</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Bokchito, Oklahoma**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 1-Summary of Significant Accounting Policies**

Financial Reporting Entity

The Town of Bokchito, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2021, the Town had only one component unit, the Bokchito Public Utility Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2021, the Town had governmental funds consisted of the general fund. The proprietary funds consisted of the Bokchito Public Utility Authority.

Basis of Accounting

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid. This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

## FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

## GOVERNMENTAL FUNDS

The governmental funds consist of the following:

**General Fund** – The General Fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds, and for expenditures primarily related to the rendering of general services to the Town.

**Special Revenue Funds** – Special Revenue Funds are established to account for revenues derived from specific taxes or other earmarked revenues. The following are classified as special revenue funds:

- Street & Alley Fund
- Firefighter Fund
- Municipal Court Fund

## PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Bokchito Public Works Authority's meter deposits requirements and various construction projects.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2021.

### Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

### Risk Management

Significant losses are covered by commercial insurance for all Town operations.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
- b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
- c. Unrestricted, all other net assets are reported in this category.

### Governmental Fund Balances

- a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
- c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
- d. Assigned, amounts that are designated by the Board of Trustees

### Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

### **Note 2-Deposits with Financial Institutions**

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Bokchito is considered a separate entity from the Bokchito Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Bokchito's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Bokchito Public Works Authority. The remaining funds would be category 3.

### **Note 3-Capital Assets and Depreciation**

Capital Asset activity for the year ended June 30, 2021 was as follows:

#### Governmental Funds

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Vehicles & Equipment	340,785			340,785
Street Signs & Equipment	23,617			23,617
Total	340,785			364,402
Accumulated Depreciation	(237,216)	(35,730)		(272,946)
Net Assets	<u>\$ 103,569</u>			<u>\$ 91,456</u>

Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation was allocated as follows:

Police Vehicles & Equipment	34,943
Street Signs & Equipment	<u>787</u>
	35,730

#### Public Works Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water & Sewer System	2,152,117			2,152,117
Equipment	143,325			143,325
Total	2,295,442			2,295,442
Accumulated Depreciation	(1,484,092)	(71,377)		(1,555,469)
Net Assets	<u>\$ 811,349.59</u>			<u>\$ 739,972.36</u>

Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available.

### **Note 4- Notes Payable and other Long-Term Debt**

On March 22, 1993, the Bokchito Public Utilities Authority entered into a loan agreement with The United States Department of Agriculture Rural Development. The loan amount was \$294,800 with a 40-year term, with a maturity date of March 22, 2033. The agreement calls for an interest rate of 5.0%, with only interest payments the first year and monthly payments of principal and interest of \$1,436. The note is secured by a mortgage on the

land, equipment, and revenues of the water system, and is subject to the liens on the bonds above except for certain other mortgages described in the agreement.

Principal and interest required to amortize this obligation to maturity are as follows:

	Principal	Interest
2022	11,710	5,522
2023	12,309	4,923
2024	12,938	4,294
2025	13,600	3,632
2026	14,296	2,936
2027-2030	50,912	2,063
	<u>\$ 115,765</u>	<u>\$ 23,370</u>

Principal and interest paid on this obligation for the year ending June 30, 2021 was as follows:

Beginning Balance	126,905
Principal Paid	<u>11,140</u>
Ending Balance	<u>\$ 115,765</u>
 Interest Paid	 <u>\$ 6,092</u>

The town entered into a lease-purchase agreement for several police vehicles on August 27, 2018 with a local financial institution. The amount financed was \$148,710. This obligation requires an annual payment of \$32,280.94, due on June 30 of each year through June 30, 2023. As of June 30, 2020, the balance on this obligation was \$91,416. It carries a nominal annual interest rate of 2.94%. Amounts required to amortize this obligation are as follows:

	Principal	Interest
2022	30,463	1,818
2023	31,359	922
	<u>\$ 61,822</u>	<u>\$ 2,740</u>

Principal and interest paid on this obligation for the year ending June 30 ,2021 was as follows:



Beginning Balance	91,416
Principal Paid	<u>29,593</u>
Ending Balance	<u>\$ 61,822</u>

Interest Paid	<u>\$ 2,688</u>
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On March 30, 2017 the Town entered into a lease-purchase agreement with a location financial institution for purchase of a police vehicle. The amount financed was \$26,005. The obligation requires a monthly payment of \$455.74 and carries an interest rate of 1.99%. As of June 30, 2021, the balance on this obligation was \$9,398. Amounts required to amortize this obligation are as follows:

	Principal	Interest
2022	<u>4,068</u>	<u>32</u>
	<u>\$ 4,068</u>	<u>\$ 32</u>

Principal and interest paid on this obligation for the year ending June 30, 2020 were as follows:

Beginning Balance	9,398
Principal Paid	<u>5,330</u>
Ending Balance	<u>\$ 4,068</u>

Interest Paid	<u>\$ 139</u>
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#### **Note 5-Subsequent Events**

Subsequent events have been evaluated through September 15, 2022, which is the date the financial statements were issued.

#### **Note 6-Risk Management**

The Town is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. Commercial insurance is used to cover general liability claims, worker, compensation and the risk of loss to Town buildings and mobile equipment. Judgment against the Town may be paid by a property tax assessment over a three-year period.

## Russell & Williams CPAs, PC

Casey J. Russell, C.P.A., M.B.A.  
Autumn L. Williams, C.P.A., Esq.  
Member AICPA & OSCPA

2812 NW 57<sup>th</sup> Street, Suite 102  
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743  
Fax: (405) 607-8744  
Email: caseycpa@hotmail.com

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### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Bokchito, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bokchito, Oklahoma as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Bokchito, Oklahoma's basic financial statements and have issued our report thereon dated September 15, 2022.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Bokchito, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bokchito, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bokchito, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Items 2021-1, 2021-2, 2021-3.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Bokchito, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government*

*Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items. Item 2021-2

#### **Town of Bokchito, Oklahoma's Response to Findings**

Town of Bokchito, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Bokchito, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Ronald L. Williams CPA PE". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
September 15, 2022

## **Schedule of Findings and Questioned Costs**

### **2021-1 Fund Accounting**

**CONDITION:** During our audit we discovered that the Town is maintaining eleven governmental and proprietary funds where two funds.

**CRITERIA:** Sound accounting policies dictate that Governmental and Enterprise funds be segregated.

**CAUSE OF CONDITION:** Unknown.

**EFFECT OF CONDITION:** Maintaining so many funds needlessly complicates the accounting records of the entity with no corresponding benefit and makes it cumbersome to develop an appropriate audit trail for transactions, especially when an excessive amount of transfers is being made (see 2021-2).

**RECOMMENDATION:** The entity should categorize all its funds as either Town or PUA, and then departmentalize within those two major funds as appropriate (e.g., fire, police, etc.)

**MANAGEMENT RESPONSE:** Management will consider the recommendation.

### **2021-2 Segregation of Duties**

**CONDITION:** The Town has the same employees performing work normally segregated between two or more employees, including recording cash receipts and disbursements, maintaining the general ledger and payroll.

**CRITERIA:** Proper internal control requires a separation of record keeping from the associated assets or a system of management oversight to compensate for the lack of separation.

**CAUSE OF CONDITION:** Limited personnel and the ability of one person to have absolute access.

**EFFECT OF CONDITION:** The Town is susceptible to having errors or fraud occur with regard to utility billings and ticket fine collections.

**RECOMMENDATION:** The Town should separate the billing function, collection function and the recording of payments received. The alternative would be for management to establish a system of oversight where daily collections are reconciled to funds recorded as received in the software. Another alternative would be for the town to institute a policy of not accepting cash at town hall. This alternative would significantly reduce the likely of fraud or error from occurring.

**MANAGEMENT RESPONSE:** Management will consider the recommendation.